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The Work of the Farmer and of the Railroad in Minnesota

BY

HOWARD ELLIOTT
PRESIDENT, NORTHERN PACIFIC RAILWAY

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ADDRESS
BEFORE THE
MINNESOTA AGRICULTURAL SOCIETY
AT THE STATE CAPITOL
ST. PAUL, MINN.
January 9, 1912

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The Work of the Farmer and of the Railroad in Minnesota

Farming is the greatest business in the United States! In this great North Star State, rich in natural wealth and resources, other forms of business have grown, but agriculture has always been the most important occupation and will continue to be if the State is to reach its destiny as a place where the highest type of man and woman and the best type of citizen will be developed.

Importance of Agricultural Society

The meetings of this Society, formed to improve the methods of farming and to carry on the great annual State Fair, have a marked influence upon the business of farming, upon which the prosperity of Minnesota so largely depends. These meetings should be most helpful in pointing the way toward better methods of agriculture, toward increasing and making more profitable the production from the soil, and toward making life on the farm more attractive to young men and young women.

Interdependence of Farming and Railroads

Any man who is not himself a farmer, or an expert on agriculture, must necessarily feel great hesitation in addressing this Society, and my justification for accepting your invitation is that I represent a business which is very closely associated with the best development of agriculture and is much in-

terested in doing all that it can in reason to promote that great business, as well as all others in this State.

Farming is an older business than transportation, but the business I represent is also old and began as soon as the tiller of the soil produced more than he could use himself and therefore sought to improve his condition by exchanging some of the things of which he had too much for other things that he needed.

Agriculture, however, has not always preceded the railroad in the western states; on many occasions the railroad struck out before there was much farming and opened up the country. Since the early '60s agriculture and transportation, both of equal importance to the country and state, have worked side by side in bringing about the development and use of the land, of which much that should yield today a comfortable income and afford a healthful life to settlers is still unused, and much of which, sad to say, is unwisely and ineffectively used.

Railroad Growth in Minnesota

The first railroad locomotive was brought to Minnesota, by way of the Mississippi river, early in 1862, landed on the levee at Saint Paul and moved over 1,400 feet of track to a storage shed. At that time the state had about 200,000 people. A period of hard times was slowly drawing to a close, so pronounced that two years before the then Governor, Alexander Ramsey, one of the strong men of Minnesota, had set an example for economy not often remembered now, and more rarely practiced, by cutting his own yearly salary from $2,500 to $1,500 and recommending a like reduction to other state officers.

The demand of the people for railroads to develop the State was strong. Late in 1862 the Saint Paul & Pacific built from Saint Paul to Saint Anthony, and on October 14th was ready for business. In 1863 two companies built 46½ miles, and in 1864 three companies built 43½ miles. In 1870 the State had 1,092 miles of railroad and 439,706 people.

In those years the hopes of the people of Minnesota centered about the construction of railroads that would bring the country closer to the small towns along the Mississippi River and its

larger tributaries; and also open up a route to the Pacific Coast. In a long forgotten report made by the Ronorable Joseph A. Wheelock as Commissioner of Statistics, to Governor Ramsey, in 1860, is found the following:

Destroying Minnesota's Isolation

"Assuming the development of the immense extent of fertile country tributary to Minnesota in British America, with its commercial radius extended by steam navigation through the rivers which flow over her borders, to the Rocky Mountains, we have seen this young state advancing by the resistless pressure of physical and social laws, to the first position among the inland states of the continent, commanding without a rival a commerce equal to all the commerce of the present states of the Northwest. Given one step more in this development—a railroad to the Pacific, based on the termini of inland navigation on Lake Superior and the Mississippi, an event close at hand among the reasonable probabilities of the future—and Minnesota, the entrepot of all the transmundane commerce which will flow through that narrow channel to break bulk upon her water lines, must occupy a position without a parallel in any State in the World.

Necessity of Transportation

* * * *To make Minnesota the toll-gate of this vast trade, the focus of distribution through all her radiating lines of railroad and navigation, to the east and west and south and north, for the incalculable commerce which a Pacific Railway would pour into her lap; to enthrone her at the great 'parting of the waters' as the central market of exchange for the confluent treasures of Europe and Asia and America—such is the sublime destiny which develops itself for the future of this young state, as the crowning consequence and logical consummation of existing facts and tendencies in the physical and commercial world."*

This enthusiastic language of one who lived to see much that he prophesied come to pass, indicates that the early pioneers realized full well the necessity of adequate transportation. Mr. Wheelock pointed out in his report that the estimated imports of England and America from countries bordering on the Pacific was then $200,000,000 a year. This seemed a gigantic figure, indicating the great commerce that he thought would pour into and through Minnesota when a Pacific railroad enabled it to move. Yet, Minnesota last year produced crops which, with the value of the live stock and the poultry and butter output, were more than twice this figure, or $431,344,725.

Population Expands With Railroads

The population of less than 200,000 in Minnesota when the construction of the first railroads began, has increased, with the expansion of railroad facilities, to a total of 2,075,000. Minnesota had no railroads in 1860, but has 8,814.27 miles now and stands eighth in miles of railroad among the states.

This large railroad mileage, so absolutely essential to the highest development of agriculture and to the growth of the State, gives employment to about 62,000 people, paying annually more than $36,000,000 in wages. On the conservative basis of four persons supported by each wage-earner, this means that 248,000 people are supported directly by the operation of the Minnesota railroads. This is about one-eighth of the population of the State, and is more than the population of the prosperous city of St. Paul.

How Railroads Aid Support Of State

For the year ending July 31, 1911, the State taxes received from the various counties, as their contribution to the support of the state government and institutions, were $4,611,597, while the railroads paid $3,896,091, almost as much from a business which represented only one-eighth of the population, as was paid by the other seven-eighths. Surely this was a very liberal contribution from but one form of business.

Creating New Trade Routes

Now, not only the one Pacific railroad dreamed of by Mr. Wheelock, but three, connect Minnesota with the Pacific, while other routes, made up of two or more railroads, furnish additional facilities. Mr. Wheelock took an optimistic view that in time the products of the Orient would find their way across Minnesota to the eastern markets. Shipments of Chinese and Japanese silks, tea, matting, hemp and other articles from the Orient arrive at Pacific Coast ports and are carried east through this state, helping the railroads in a small way to maintain themselves so as to care for the domestic business of importance to the farmer and merchant of this State.

How Law Hampers Commerce

Neither Mr. Wheelock, nor others who believed in the growth of this great country, foresaw that the politician (not the Statesman) would attempt to so frame the laws in this country that the railroads could not participate freely in any business coming from the Orient to the United States, or sent back to the Orient from Minnesota, without so disturbing all other rates that they could not afford to engage in the business; nor did anyone imagine that a public policy would be seriously considered which would tend to prevent Minnesota and the Mississippi Valley from reaching the Pacific Coast with their products in competition with the same articles produced east of the Alleghany Mountains. And yet that is what is confronting the great Mississippi Valley, with its varied industries, today. Unless the people rise up and demand of their Congressmen and of the Commerce Commission that their railroads have the right to place the products of the Mississippi Valley on the Pacific Coast and in the Orient in competition with the same articles produced elsewhere, without forcing the railroads to reduce all of their intermediate rates, that section of the country will be closed to our merchants and manufacturers and the policy suggested will tend to draw a circle around Minnesota, beyond which she cannot trade.

Pacific Coast and Panama Canal

Those who say that to make a lower rate to the Pacific Coast than to intermediate points creates an unjust discrimination against interior points ignore the fact that the Pacific Coast, with ocean transportation, is independent of transcontinental railroads for the movement of freight from the Atlantic seaboard; and also—which is more important—is independent of the Mississippi Valley as a source of supply for many manufactured articles. Nearly all that the Pacific Coast needs may be shipped from the Atlantic States by the Panama Canal or may be imported from foreign countries, and whenever the railroads make the rate to the Pacific Coast which is necessary to equalize the cost of these commodities handled by ocean, they only change the source of supply and substitute one means of transportation for another; the difference between the cost of any commodity delivered at the Pacific Coast or at some interior point would be the same whether the railroad entered into competition with the ocean carrier or withdrew entirely from the business.

Increase in Railroad Mileage

The great advance in agriculture in Minnesota has been the natural result of the building of railroads. In 1860 the whole United States had only 30,626 miles of railroad. In fifty years the miles of railroad have increased, according to the Commerce Commission, to 236,869 miles, and the miles of all tracks—second, third and fourth tracks, sidings and yards—to 342,351 miles. In the 23 years ending in 1910, the number of tons of freight handled increased 257 per cent, and the number of tons handled one mile 324 per cent. The mileage of freight trains increased 80 per cent, and of passenger trains 112 per cent.

Without this great growth in trackage and in work done on the tracks the produce of the farms in Minnesota and in other states could not have been marketed and farm development would have been much less rapid and confined quite largely to regions where wagon or water haul would reach a consumer.

Falling Rates Save much to Shippers

In spite of the great increase in wages, taxes and in the price of many classes of material, freight rates have not increased, or even remained stationary, but have dropped approximately 25 per cent. The farmer and shipper obtains as much freight transportation today for $3.00 as he received in 1888 for $4.00. On the Northern Pacific, only one of many roads, the fall of rates has been such that if freight shippers and passengers had paid, in every year since 1885, the same rates as in that year, the additional revenue to this one railroad would have been $583,879,996.25. This very large sum represents what has been saved to the users of the Northern Pacific, by means of reductions in rates, which have been very largely voluntary. It is equal to $63,986.84 for every day during that twenty-five year period. A most experienced railroad officer estimates that the saving to the purchasers of rail transportation in the United States in the fifteen years from 1894 to 1909, inclusive, amounted to $1,300,000 a day, or $7,144,343,000 in all, which saving has been possible because of the effective work done by the railroad owner, officer and employe in creating and operating the American railroad machine.

Wagon Haul vs. Rail Haul

Thirty years ago in Minnesota grain was hauled 60 miles by wagon to some of the river towns and cities having a railroad. Today, nearly all the farm produce comes direct from the field to a nearby railway station. Where the farming area was formerly limited by the length of wagon haul, the railroad has now made it possible to use nearly all of the agricultural land and in some of the Minnesota counties many townships are served by two or more railroads.

Over the entire United States the same development followed the building of new railroads, and farm output has increased so rapidly that in 1910 it had a value of nearly $9,000,000,000, and had nearly doubled in 11 years. The natural result of this great railroad expansion has been a change in farming conditions, an increase in land values and a decrease in the amount of free land that can be obtained from the Government.

Responsibility of the Farmer

Coincident with the great development of agriculture and transportation the population of the country has been growing at the rate of 2 1-10 per cent each year and growing faster in the cities than in the country. There has been thrown upon the farmer a greater responsibility than before, of increasing his production in order to feed the increasing population.

Soil experts pointed out long ago the possibility of exhausting new and rich land by poor farming, and during the past few years the states, business men, the State and Federal Government and the railroads have all been working closely with the farmer, trying to improve the methods and increase the production.

National Welfare depends on Agriculture

The farmer is under the obligation to the whole population of the United States of making the best use of his land, because the welfare of the country depends very largely upon his efforts and its people must be fed from the products of his acres. There is much talk about efficiency and inefficiency in the railroad business and in other forms of business. The railroads are trying hard to improve and are working steadily in order to give safer and better service to the public. There is the same necessity of improvement in farm methods and production.

Costs, Profits and Production

One of the most important facts shown in the investigations of the Minnesota state agricultural school into farm costs and profits is that there is great variation in cost of operation and profit balance in the same districts and on adjoining farms. Only the best managed farms are making the profits that are believed to be possible for all the well improved farms of the state. North Dakota led the United States in wheat acreage in 1910, with Minnesota second and South Dakota fourth. The combined acreage of this crop for these three states was more than three times that of Germany, more than nine times that of the United Kingdom, and greater than Argentina or France. In 1909 the

wheat acreage of the three states was 1,151,000 less than in 1910, and the production was 232,394,000 bushels. The farm value of this crop was $216,647,000.

System and Organization in Farming

Suppose the yield per acre had been that of Germany for the same year, or 30.5 bushels, instead of less than half of this, there would then have been 475,800,000 bushels to sell and the tri-state farmers would have received $443,731,000, or an increased amount on the crop of a single year of $227,084,000.

It may not be possible to at once raise the production of these states to the German average, but no reasonable man can say that it is not possible to raise the standard of farm efficiency and thereby materially increase the average yield. An increase in yield of one bushel per acre on the basis of the acreage of 1909 would have added $14,456,000. to the farmers' returns. This very large sum is the premium for every bushel of increase in the average yield. From $10,000,000 to $15,000,000, depending on the price of wheat, is annually lost to the farmers of these three states, for each bushel by which the average yield falls short of the possible yield.

Investment Needs of Railroads

Upon the railroad owner, officer and employe falls the duty of keeping the railroads of the country in condition to move the commerce of the country, and of adding to them yearly at a rate which will take care of the demands of the people. This task means an addition of between $500,000,000 and $600,000,000 a year of new capital.

This great sum will not be forthcoming unless people who put money into railroads feel that their investment is safe, and that they will get a return somewhat in line with what is received from other forms of business in the same territory. It is clearly to the interest of the farmer to help to so frame the laws of the land that capital will freely invest in railroads, because the farmer needs the best transportation and the widest possible market for his products.

Railroad Capitalization

American railroads—capitalized at less than $60,000 a mile, while those of England represent $275,000 a mile; those of France $139,000 a mile; and those of Belgium (owned by the government) $181,000 a mile—produce a larger output of transportation, carry more passengers and freight, for less money, than any in the world. Freight rates are lowest in the United States, and the character of passenger and freight service rendered the public is not excelled in any country in the world.

Opportunity for Higher Farm Efficiency

The American farmer can do as well. With the rich soil of this country, he can lead the world in crop production, in efficient farm work, and in practical results from the standpoint of money returns. When such a condition comes, experts from abroad will visit the United States to study American farm methods, just as they have been coming for many years to study American railroad methods.

It is for the purpose of increasing farm yields, improving rural prosperity and encouraging the better and more general use of the land of this State, that railroads, banks, the State and its educational department, organizations of commercial clubs and individuals are co-operating with the farmer. In this work there is no direct personal profit to be made for anyone except the farmer himself, but its objective point is a bigger and better Minnesota and a greater general prosperity in which all may join.

Co-operation—Keystone of Business

Co-operation has been the keystone of the arch in the development of business in America. It is becoming the keystone of improvement of farm efficiency, and in Minnesota there are already several noteworthy examples of farm communities working together for the common good.

The development of the co-operative creamery, in which Minnesota led, has helped to increase the output of dairy products to an estimated value of $55,000,000 a year, and is easily the most important.

A co-operative merchandising experiment at Hanska in Brown County has been successful and profitable.

Co-operative marketing is having a very interesting development in St. Louis county under the direction of the Duluth Commercal Club. Co-operative marketing of eggs through an association has been a success at Dassel, in Meeker County, where 22,000 dozen were marketed in eight months.

The eggs were graded as to size and color and were clean and attractive, each bearing a number. The work of packing was done by the farmers, who stood behind their association and its guarantee to replace any egg found defective. In eight months the association received only two complaints.

At Barnum a similar egg-selling association on the co-operative plan has been successful, largely increasing the shipment of eggs, guaranteeing an improved quality, and bringing an increased price to its members.

Railroad Wages and Rates

The American railroads pay the highest wages in the world; the average pay in this country being $668 a year, as compared with $382 in Germany, $251 in England, and $260 in France and Austria. Although American railroads pay more to labor than other countries do, their service to business is second to none and their freight rates are such that they haul 2,000 pounds, nearly a wagon load of freight, 100 miles for only 75 cents. The charge for the same service in England in $2.80, in France $2.20, in Germany $1.64, and in Austria $2.30.

Only by the highest quality of management, the greatest energy and most effective methods and the closest supervision of all costs, could such a result be obtained.

To bring farm production and profits to the highest level and to overcome the various difficulties he faces, the farmer must utilize every new method, encourage the close co-operation of all who can aid him, and strive for greater efficiency and for the highest quality of output.

Better Farming in Minnesota

In successful farming, as in any business, there must be system and organization. There is no longer any question but what corn can be successfully grown anywhere in the State of Minnesota, including the Northern counties. The fact that corn can be and is grown does not in itself mean successful farming. That corn means beef is a common statement. It ought to mean hogs as well, and farmers should systematize their methods to make the best use of their corn and get out of it the highest possible profits.

On the general dairy or stock farm there is some unavoidable waste in handling and feeding grain, and a herd of hogs may be maintained on a farm where other live stock is kept, with little additional expense for shelter, care and food, over what would be required in connection with the other farm animals.

Avoiding Waste and Improving Methods

The elimination of waste ought to be as much the constant aim of the farmer as of a manufacturer or railroad manager. A herd of hogs following the cattle can be maintained on what would otherwise be partially wasted. This is an item of so great importance as to demand thoughtful consideration.

Six cent pork can be produced at a profit if proper use is made of forage crops and dairy by-products. Experiment station results show that a bushel of corn when properly fed will produce twelve to fourteen pounds of pork. Hence when hogs are six cents per pound there is realized about 80 cents a bushel for corn.

Following is a quotation from Superintendent A. D. Wilson, University Farm of Minnesota, in the "Minnesota Stockman":

Minnesota as a Live Stock State

"Minnesota has not made the progress in the live stock industry that those interested in the welfare of the State might wish. In fact, the State is considerably behind some of the adjoining states in the amount and quality of live stock kept. Wisconsin has about the same amount of live stock that we have; but Iowa has more than twice as many cattle, and six times as many hogs.

"With the relative amounts of stock given in the above paragraph, the average income per farm in Iowa, in 1900, was about $1,600; while for the same year the average income per farm in Minnesota was but $1,000. This shows that Iowa farms, with twice as many cattle as were kept on Minnesota farms, and six times as many hogs, brought in 60 per cent more income than did the Minnesota farms."

In this connection it is interesting to note that Minnesota plants about 1,500,000 acres of corn each year, and over 10,000,000 acres of small grain. Iowa produces over 9,000,000 acres of corn each year and about 5,000,000 acres of grain. In Iowa the farmers fully realize the importance of dairying and that the two classes of stock that make an especially profitable combination are dairy cattle and swine.

Helping the Farmer

The farmer has done a great work for the United States and for Minnesota, but he has a still greater work and responsibility before him. He has, however, the great advantage of having nearly all other forms of business anxious to help him in any reasonable manner. The railroad owner, manager and employe are all trying to understand better the difficulties and importance of the various farming problems.

Should not some of the same spirit be shown towards the large investment represented by the American railroads and by the 8,814.27 miles of railroad in this State, the safety and adequacy of which means so much to the successful development of the whole State?

Ample Transportation is Vital

Everyone would like very cheap transportation, or even to have it free; but everyone must have enough transportation or business cannot expand. Enough transportation will not be provided if the price is made so cheap by law that people

will not invest their money, and they will not put money into railroads any more than they will into any other form of business unless they have a reasonable chance of profit.

In this State there has been a discussion for several years about rates, both freight and passenger, and the questions are not yet settled; but how many people have posted themselves in detail so as to form an accurate judgment about the justice of the question? How many people know about such simple figures as these taken from the sworn report of the Northern Pacific to the Railroad Commission of this State for the year ending June 30, 1911:

Passenger Earnings	Earnings per passenger train mile	$1.49
	Operating expenses for all trains per train mile	1.77
	Difference	$ .28

It may be argued that it is not fair to charge to passenger trains the average cost of all trains, both freight and passenger, although passenger trains mean great expense for higher grade tracks, better stations, expensive cars, etc., but dividing the expenses as nearly as can be done under the practice commonly adopted the results are as follows:

Earnings per passenger train mile in Minnesota	$1.49
Expenses	1.04
Difference	.45
Taxes per train mile in Minnesota	.06
Interest on bonds	.31
Leaving only	$ .08

per train mile to pay any profit.

On the basis of a similar small return of only 8 cents per train mile the earnings of the Company in 1911 on all business would have produced only $3,485,819, or less than 1½ per cent return to the stockholders of the Company. These few figures show that passenger service is not contributing its fair share towards the sum necessary to pay expenses, taxes, interest and

a dividend to the stockholders and encourage investment in those improved facilities in the way of trains and stations which all of us would like to have.

It may be urged that this small return of 1½ per cent is enough because the property is over-capitalized. The best answer to this is that in a recent searching investigation by Governmental authority it was found that the value of the property of the Northern Pacific Railway Company employed in its transportation business was, on June 30, 1908, $452,666,489, as compared with securities in the hands of the public at that time amounting at par to $405,225,575.29. Since that date new securities amounting to $17,986,924.71 have been issued but only for bona fide additions to the property costing much more than that, so that on June 30, 1911, the securities in the hands of the public were $423,212,500, and the value of the property, based on the Government figures and the additions since, was $487,955,530.

Eliminating, therefore, the question of stocks and bonds, it shows that the earnings on the basis of returns from passenger train service would not be enough to pay a fair return on the value of the property as given by the Government.

Railroads' Purchases Help Business

Railroads are great buyers, and when they are prosperous buy very liberally. For example, the coal burned in Northern Pacific engines last year would afford a winter's fuel supply for about 175,000 families, or keep warm approximately 800,000 people, or more than one-third the entire population of the State. If this coal had been loaded in cars of 50 tons capacity, it would have made 1,231 trains of 40 cars each, or a combined train 373 miles long, or a train that would have a caboose in Minneapolis and its engine 30 miles the other side of Jamestown.

One year's purchases of lumber, including ties, would have built a plank road 8 feet wide and 2 inches thick, in a straight line from St. Paul to Boston, a distance of about 1,108 miles.

The two illustrations are given to show how large are the transactions of one railroad in the conduct of its business.

Railroad Owners' Heavy Investment

How many people know, for example, that the owners of the Northern Pacific, approximately 25,000 in all, have expended $203,000,000 in the last 10 years in additions, betterments and extensions to their railroad, all the way from the Twin Cities and Lake Superior to the Pacific Coast, so as to furnish the people along the line with adequate facilities?

This very large sum of money, equal to Mr. Wheelock's glowing prediction of the annual commerce adjacent to the Pacific Coast, was expended by these people with the hope and belief that there would be such a growth of business and such a basis of rates and taxes that they would make a good return and a return somewhat in keeping with the return received by others in the same country who invest their money, time and energy in other forms of business.

Railroad a Factor in State Development

These 25,000 owners of the Northern Pacific and the 30,000 employes of that Company are an important factor and force in working out the future of Minnesota and the states west of it. They and the farmers are mutually interested in being fair to each other.

What is true about the amount of money spent, the number of owners and employes of the Northern Pacific, is true to a greater or less degree about other railroads in this State and in the country generally. The railroad owner and employe are trying to do their full share in doing the work needed to carry on the business of this State and of the country.

It is not easy for the farmer to get the best results even with many trying to help. The railroad owner and employe have their difficulties to meet in trying to solve the problems of furnishing safe, regular and sufficient transportation to meet the demands of a growing State like Minnesota.

Practical Co-operation Needed

It would seem as if better results could be obtained for all forms of business—farming, railroading, merchandising, manufacturing and banking—if all pulled together and did not attempt to come to conclusions about business methods and results based on half knowledge and misleading and distorted statements.

"Truth is mighty and will prevail" is a true saying about the moral life of the Nation, and in due time it will prove to be true about the business life of the Nation in spite of the demagogue and trouble-maker.